

Revision of OCI Handbook on North Vietnam
Project 15.2071

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III. Economic.

A. Currency.

1. Basic Monetary Unit.

Dong.

2. Exchange Rate.

2,240 dong = US \$1.

B. Banking System.

The North Vietnam State Bank established in September, 1951 issues currency and provides all customary banking services. It also directs the activities of the Central Import-Export Agency, the chief agent of the Government engaged in the acquisition of foreign exchange.

C. Economic Trends.

1. Basic Economic Factors.

Approximately 90 percent of the population derives its livelihood from agriculture. Agriculture in North Vietnam consists predominantly of rice cultivation, with two main crops harvested each year.

Political and military developments following World War II upset any established colonial patterns. Following Communist assumption of power in 1954 and early 1955 poor harvests created food shortages which necessitated Bloc deliveries of more than 200,000 tons of rice. Re-establishment of irrigation systems and favorable weather conditions have since helped restore production levels to normal. A record rice crop in 1956 of 4.1 million tons permitted the export of an estimated 100,000 tons of rice during 1957, but only small reserves have been built up. The 1957 crop of 3.9 million tons fell short of the plan due in part to a combination of floods and drought. Despite this decline in production, exports have continued through March 1958. However, the drought continues in many areas and a poor fifth month crop could create a grain shortage which might necessitate resumption of imports.

Self-sufficiency in food production, even at modest consumption levels, is a gain of substantial proportions for this area. It is attributable in part to favorable climatic conditions, plus strenuous efforts on the part of the regime to extend and improve irrigation, flood control measures, the use of fertilizers, and utilization of areas lying fallow as a result of wartime dislocations. Future increases in food production will depend largely on the increased use of fertilizers, improved seed, and agricultural implements. Land reform and the organization of semi-socialist mutual aid teams have been applied by the government, without adversely affecting production.

The mineral resources of North Vietnam have not been fully exploited. An important anthracite coal mining region and the largest cement factory in Southeast Asia constitute the major industrial assets of the economy. Plans for the development of non-ferrous metals and phosphate deposits are under way along with the expansion of power facilities.

2. Currency Stability.

The DRV currency suffers from severe inflation which is the major economic problem facing the regime. Efforts of the State Bank to remove excess currency from circulation have not prevented the continued depreciation of the dong.

3. Government Controls.

All foreign exchange transactions are handled by the Central Export-Import Agency through the State Bank, which in turn finances the governments' domestic economic development program. The government has established a grain collection program which is its chief source of revenue. Rice and cotton cloth are rationed. Socialization of agriculture has progressed very slowly. The government controls all important industrial establishments; cooperativization of handicraft industries is being effected with moderate success.

D. Annual Budgets.

DRV statements on revenue cannot be taken at face value. Claims have been made that revenues and expenditures have balanced as early as 1953. The estimated revenue for 1957 is equivalent to about US \$97 million as against US \$84 million in 1956 and US \$63 million in 1955. Economic construction

accounted for a planned 42.5 percent of expenditures in 1957 as compared to 46 percent in 1956 and 31 percent in 1955; social, cultural, and educational and health activities made up a planned 11.9 percent in 1957 compared to 13 percent in 1956 and 7 percent in 1955; defense spending has declined from 32 percent in 1955 to 22 percent in 1956 to a planned 21 percent in 1957; administrative expenses have also declined from 13 percent in 1955 to 12.5 percent in 1956 to a planned 10.4 percent in 1957. Foreign aid has accounted for more than one-third of expenditures allocated through the budget.

E. Sino-Soviet Bloc Economic Aid.

Major Bloc assistance has been necessary in rehabilitating the economy after the 1954 Geneva Agreements. Total Bloc aid in all forms of assistance - loans, grants, goods exchanges, and relief aid - will reach an estimated US \$581 million by 1960. Of this total Communist China will account for over half with about a US \$325 million five year grant, plus another estimated US \$20 million in other forms of assistance. The USSR provided a grant of about US \$100 million in 1955, and has subsequently made available approximately another US \$70 million in loans and material. The Eastern European Satellites have contributed an estimated US \$65 million in various forms of assistance, of which East Germany and Poland have accounted for approximately 60 percent.

Chinese aid has been channeled chiefly into the restoration of transportation and communications, with some allocated to development projects such as rice milling and irrigation. USSR aid has been allocated for industrial construction almost exclusively, with 75 percent going to such projects. Satellite aid has consisted mainly of providing necessary technical knowledge and equipment in the fields of public health and industry.

Most of the Bloc countries contributed token sums, totaling about US \$500,000 for flood relief during the crisis in early 1957. These donations received a great deal of publicity in the DRV press.

F. Natural Resources.

1. Agricultural.

Rice is the principal crop and staple of the diet. Minor food crops are corn, sugar, sweet potatoes, manioc. Cotton and tea cultivation is being developed with some success.

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2. Mineral.

North Vietnam has significant deposits of anthracite coal, tin, iron ore, and phosphates, and less important deposits of manganese, tungsten, and chromite. These resources have been virtually unexploited with the exception of coal and phosphates. Exploitation of mineral deposits is especially important for developing export products.

G. Industry.

1. Capital Goods.

Industry is virtually undeveloped in North Vietnam. The only major plant is the Haiphong Cement Plant, the largest in Southeast Asia; equipment is obsolete but is being replaced under the aid program.

2. Consumer Goods.

The Nam Dinh Cotton Mill provided about 50 percent of North Vietnam's textile requirements in normal times. The plant has never operated at full capacity and is dependent on foreign sources of raw cotton. The large Haiphong phosphate crushing plant has been re-established and some of its output has been exported. Such light industries as fish canning and tea production have recently been developed with Bloc aid, in a further attempt to create additional export products.

3. Munitions.

The DRV maintains small workshops capable of producing mortars, bazookas, small arms, and ammunition.

H. Foreign Trade.

North Vietnam traditionally conducted about half its foreign trade with France, and before World War II the economy depended on a few basic exports to support a wider range of imports. There was usually a trade deficit. Corn, coal, cement, and metals constituted 52 percent of all exports in the 1930's. Imports during the same period consisted chiefly of textiles, manufactured goods, paper products, and chemicals. Exports declined substantially in the postwar period as basic production came to a virtual standstill.

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Today, coal is by far the largest export, accounting for about one-third of the total value of exports. In 1956 and 1957 exports of coal amounted to 1,000,000 metric tons compared to 300,000 metric tons in 1955. Cement, corn, crushed apatite, and tin were also significant items. Principal imports were petroleum, iron and steel products, cotton yarn, fertilizer, machinery, and medicines. Prior to 1956 rice was a major import of North Vietnam, but the bumper harvest in late 1956 and good harvests in 1957 made possible the export of rice.

1. Trade with the West.

Japan is by far the most important western trading partner, accounting for approximately 40 percent of total coal exports in 1956 and 1957. Coal, rice, cement, and crushed apatite are the DRV's major exports to the West. Her major imports are textiles, iron, non-ferrous metals, machinery and parts. Trade is being developed with India, Pakistan, Burma, Ceylon, and Indonesia, all former colonial countries to which the DRV feels akin. Trade with France consists almost entirely of DRV indemnity payments in the form of coal shipments.

2. Trade with the Sino-Soviet Bloc.

North Vietnam's foreign trade has been carried on almost entirely with the Sino-Soviet Bloc. China and the USSR account for 80 percent of North Vietnam's total trade. Rice deliveries on Soviet account were a major import in 1955 and early 1956. In the latter half of 1956 and 1957 the DRV exported rice to the European Satellites to earn badly needed foreign exchange. Major imports from the Bloc have included petroleum products, iron and steel products, cotton yarn, medicine and some other consumer goods. Major exports to the Bloc have included cement, corn, tin, and, in 1956 and 1957, rice.

I. Telecommunications.

1. Domestic.

North Vietnam relies heavily on point-to-point radio communications to connect major cities. During 1956 and 1957 the USSR, supplementing aid for telecommunications from Communist China, provided equipment and technicians for the installation of 11 wire diffusion broadcast networks.

The major effort of the DRV telecommunications program centers on continued rehabilitation and further development of the wireline system. Hanoi is presently linked with 26 provinces by telephone, and automatic telephone systems are being installed in major cities.

Assistance from the USSR and planned imports from East Germany and Poland indicate that Communist China is no longer meeting the communications requirements of the DRV alone.

2. International.

In 1954 and 1955 the DRV had to rely on international radio links channelled through Communist China. Since then direct radio telephone links have been established between Hanoi and the Bloc capitals of Moscow, Prague, Berlin, Budapest, and Bucharest. Direct radio-telegraph service to India and France was begun in 1956 and service to Laos was inaugurated in March 1957. Direct telephone lines also exist between Haiphong and eight major Chinese cities.

J. Transportation.

The DRV, with Sino-Soviet assistance, has made a special effort to rehabilitate the road, rail, and water transport network in North Vietnam since the departure of French Union forces in the Fall of 1954. It is estimated that by the end of 1957 412 miles of railroads, 4,000 miles of roads, and 3,000 miles of waterways had been restored. Communist China aided in the repair of railroads while the USSR helped dredge and repair harbor facilities. Equipment and ships were also sent by East Germany, Czechoslovakia and Poland.

1. Railroads.

The DRV inherited from the French a badly damaged meter-gauge rail system consisting of four lines radiating from the capital, Hanoi. After the end of hostilities only the Hanoi-Haiphong line was operable. Of the remaining three lines, the most important logistically and strategically was the line north from Hanoi to Nam Quan on the Chinese border. This line was rebuilt and restored to its original meter-gauge in 1955. The Hanoi-Lao Kay line was re-opened in July 1956. With the completion early in 1958 of the Lao Kay-Pi-se-chai section of this line on the Chinese side of the border, Yunnan Province is linked - via North Vietnam - with the main Chinese rail system.

2. Roads.

Reconstruction of roads and construction of bridges has been given high priority by the DRV. Two main trunk routes are given considerable importance: Haiphong-Sonla-Lai Chau in the Northwest, and Nam Quan-Hanoi south along the coast to the 17th parallel. These two roads, with connecting internal routes, make possible the rapid deployment of military forces and supplies to critical border areas. In addition, motor transport is utilized in the outlying mining developments.

3. Merchant Marine.

The native coastal junk and small river craft fleet with which the DRV began operations has been augmented by gifts of at least six small, but modern, coastal freighters and numerous barges and tugs from the Bloc countries. An intensive Soviet directed rehabilitation of Haiphong harbor has made it accessible to vessels up to 10,000 tons. The other significant ports of Campha, Hon Gay, and Ben Thuy are also being improved. Campha is now accessible to ships of 8,000 tons, while Ben Thuy can take ships of size up to 1,000 tons and Hon Gay can accommodate 6,000 ton vessels. Regular foreign service is provided by Polish and Chinese ships.

4. Inland Waterways.

The Red River drainage basin is the chief internal water transport system in North Vietnam. Shortage of equipment has limited the development of inland waterways.

5. Civil Aviation.

In December 1955 the DRV established a Civil Aviation Administration and announced the activation of a new civil air service effective January 1, 1956. Air transports have been supplied by China, the USSR and Czechoslovakia. All aircraft have been flown and maintained by Chinese, although Chinese-trained Vietnamese apparently are being integrated into the system. In 1957, Gia Lam airfield near Hanoi had the only aircraft tower in North Vietnam equipped with a radio beacon and a trained crew, who were on duty only when aircraft were expected.

